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September 7, 2012

Via ECFS

Marlene Dortch, Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: American Cable Association (“ACA”), *Ex Parte* Presentation: In the Matter of Connect America Fund, WC Docket No. 10-90, High-Cost Universal Service Support, WC Docket No. 05-337

Dear Ms. Dortch:

On August 20, 2012, the Wireline Competition Bureau announced it would hold a Connect America Phase II Cost Model Workshop on September 13th and 14th to focus on the design and mechanics of the model submitted by the ABC Coalition.¹ ACA is looking forward to participating in this workshop, and it believes there are a series of inquiries the Commission should undertake to ensure the design and mechanics of the cost model accurately determine the amount of support required to efficiently deploy broadband to unserved areas. ACA’s recommended areas of inquiry and specific questions are attached to this filing.

Should you have questions about this submission, please contact me.

¹ See Wireline Competition Bureau Announces Connect America Phase II Cost Model Workshop, WC Docket Nos. 10-90, 05-337, Public Notice, DA 12-1313 (Aug. 20, 2012).

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This letter is being filed electronically pursuant to section 1.1206 of the Commission's rules.

Sincerely,



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Attachment

cc: Steve Rosenberg
David Zesiger
Amy Bender
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Attachment

CAF Phase II Cost Model Workshop

1. Model Logic and Structure

- Broadband Availability
 - How is broadband availability from the National Broadband Map applied in the model?
 - If a challenge process is set up for broadband availability and/or competitive providers, can the results of that process be used to update the model?
 - Broadband availability (National Broadband Map)
 - Competitive providers (NTIA/Warren Media)
- “Served” vs. “Unserved” locations
 - Can you help us understand what telco-served and unserved locations are in model outputs?
 - What is the thinking behind proposing funding a greenfield build for all “served” locations?
 - Can the model easily be modified to exclude these locations?
- Cost Benchmark
 - What is the cost benchmark meant to represent? How was it set?
 - What affect does raising or lowering the cost benchmark have on the amount of funding received in areas that are funded as well as which areas receive funding?
 - In the case that the model is run on a brownfield basis (*e.g.* incremental costs) shouldn’t the benchmark be determined based on incremental revenues? Can this be done in the model?
 - In addition to incremental revenues from broadband for residential subscribers, are other residential services (*e.g.* video), reduction in residential line loss, business service revenues, wireless tower revenues, etc. included in the calculation of the benchmark?
- Apportionment of Costs
 - How are costs allocated on a pro rata basis?
 - Can the model be altered to apportion costs on an incremental basis? How could this be done?
 - When the model is set to brownfield, are costs still calculated for an entire service area and allocated to eligible areas? How does this work?
 - How are middle mile costs allocated?

- Why are transit and transport costs not included?
- What infrastructure sharing is assumed, and how are these assumptions applied in the model?
- Annual Charge Factor
 - What are the components of the annual charge factor and how is it calculated?
 - How are the components of the annual charge factor calculated (cost of money, depreciation, terminal value, etc.)?
 - Could functionality be built into the model to calculate the commercial value of the network at the end of the 5 year period to use as the terminal value?
 - What options are available to value the network at the end of the 5 year support period (book value, economic value, zero value)?
 - Can the annual charge factor (or components) be applied differently to different elements of the network, geographies, etc.?
- Business / Tower Locations
 - In addition to residential locations, does the model include the costs associated with building to business locations and tower locations?
- Voice Services
 - Why are the costs associated with providing voice services excluded given the obligation to provide voice services?

2. Model Capabilities

- Can the model calculate brownfield costs?
 - Is the model structured to allow for brownfield cost estimations? If not, why not?
 - What additional assumptions or assumption refinements are needed if any to enable the model to calculate brownfield costs?
 - Age of plant (for replacement schedule)
 - Gauge of plant (for loop lengths)
 - Line conditioning costs
- What network technologies can be modeled?
 - DSL at various loop lengths
 - FTTN
 - FTTP
- Can the model exclude areas that already have broadband that meet the broadband public interest obligations?

3. Sources for Key Assumptions

- All Assumptions

- When were these assumptions collected?
- Do the assumptions that change over time need to be updated and/or trended in the model given deployment won't begin for a couple years?
- Cost Benchmark
 - What are the assumptions used for the \$80 benchmark?
- Annual Charge Factor Components
 - What are the sources used to calculate the cost of money assumption?
 - Useful Life / Salvage Rates
 - Why not use the midpoint of the FCC ranges?
 - Are the useful lives of copper / fiber realistic?
- Take Rates
 - Consumer locations
 - Where does the 90% penetration assumption come from?
 - What is the assumption for the ramp to this penetration?
 - Business locations
 - Where does the business penetration come from?
 - What is the assumption for the ramp to this penetration?
- Plant Mix
 - Where do the aerial, buried and underground by state and topology (urban, suburban and rural) assumptions come from?
- Bandwidth / Backhaul
 - What are the assumptions for network capacity requirements and dimensioning?
- Capital Expenditures
 - What are the assumptions for:
 - Material loading?
 - Network elements?
 - Labor / construction?
 - Attachment fees?
 - Other areas where capital is expended?
- Operating Expenditures
 - What are the assumptions for:
 - Charge factors?
 - Other areas where operating costs are incurred?